

GHANA

TRADE SUMMARY

In 1999, the United States had a \$26 million trade surplus with Ghana, a decrease of \$52 million from 1998. U.S. merchandise exports were \$235 million, a five percent increase from 1998. In 1999, Ghana was the 84th largest export market for the United States. U.S. imports from Ghana totaled \$209 million, an increase of nearly 45 percent over that of 1998. The stock of U.S. foreign direct investment in Ghana rose to \$321 million in 1998, up 15 percent from 1997. U.S. direct investment in Ghana is predominantly in the mining and fabricated metals sector, but there is also significant U.S. investment in the petroleum, beverages, seafood, telecommunications, energy, chemicals, and wholesale trade sectors.

IMPORT POLICIES

Since it began its structural adjustment program in the early 1980s, the Government of Ghana has progressively eliminated or reduced import quotas and surcharges. Currently, the government is harmonizing tariff rates within the Economic Community of West African States (ECOWAS) trade liberalization program. Since the elimination of Ghana's import licensing regime in 1989, importers are now simply required to sign a declaration that they will comply with the Ghanaian tax code and other laws. Special permits are still required for drugs, mercury, gambling machines, handcuffs, arms and ammunition, and live plants and animals. There is a ban on the importation of automobiles more than 10 years old.

Ghana's tariff structure focuses on capital, intermediate, and consumer goods. Only four *ad valorem* import duties are currently applied: zero percent, five percent, 10 percent, and 25 percent. Additionally, a 10 percent value-added tax is imposed on both imported and domestically produced items. The Government of Ghana also imposes a specific duty of 10 percent to 40 percent on 16 categories of merchandise (including alcoholic and non-alcoholic beverages, tobacco, and textiles) as an

alternative to the value-added tax, when the specific duty is higher than the value-added tax. The intention behind these specific duties is to make locally manufactured goods equally competitive with imported goods.

Nevertheless, Ghanaian manufacturers have contended that the country's tariff structure places local producers at a disadvantage vis-a-vis imports from countries that enjoy greater production and marketing economies of scale. They have argued that tariff reductions have lowered the cost of imported raw materials and, thus, increased the competition for local producers. To develop competitive domestic industries with exporting capabilities, the Government of Ghana continues to support domestic private enterprises with financial incentives, tax holidays, and other similar programs.

Depletion of the Bank of Ghana's foreign exchange reserves in 1999, mainly as a result of higher oil import bills and a shortfall in external program assistance, has resulted in a sharp depreciation of the cedi and a shortage of foreign exchange. This was expected to result in a reduction in the level of imports in 1999 and beyond.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Ghana has issued its own standards for most products under the auspices of the Ghana Standards Board (GSP), the government's testing authority, which subscribes to accepted international practices for testing purity and efficiency. In addition, the Board for Food and Drugs enforces its own standards, as well as those of the GSP. Under Ghanaian law, imports must bear markings in English identifying the type of product being imported, the country of origin, the ingredients or components, and the expiration date, if any. Locally manufactured goods are subject to comparable testing, labeling, and certification requirements. Ghana employs the services of four pre-shipment inspection (PSI) agencies that review imports for quality and price. To comply with the WTO Agreement on Customs Valuation, Ghana issued new regulations on January 1, 2000 that directed

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Ghanaian Customs to begin using transaction values to assess duties on imports. This change has taken place. Pre-shipment inspection is scheduled to be replaced by destination inspection in April 2000.

Restrictions on U.S. Meat and Poultry Exports

Ghana continues to implement nonscientific barriers restricting market access for U.S. poultry. After recently lifting a ban on all U.S. meat and poultry products, Ghana put in place new regulations that significantly restrict U.S. exports of meat and poultry products by setting excessive and arbitrary fat content levels for meat and poultry imports. Poultry imports must have a fat content of less than 15 percent; beef less than 25 percent; and pork less than 35 percent. These regulations have effectively halted U.S. exports to Ghana of turkey tails, which typically contain at least 30 percent fat. Before the regulations, the United States had been shipping approximately three million pounds of poultry (at a value of \$1.5 million), mostly turkey tails, annually to Ghana. These regulations have also had a serious impact on U.S. poultry exports to Nigeria, since Ghana was used as a transshipment point for products ultimately destined for the Nigeria market.

GOVERNMENT PROCUREMENT

Government purchases of equipment and supplies are usually handled by the Ghana Supply Commission (the official purchasing agency) through international bidding and, on occasion, through direct negotiations. Former government import monopolies have been abolished. Some parastatals may continue to import commodities, but they no longer receive government import subsidies to do so. For local businesses, ruling party membership is widely alleged to facilitate the award of government contracts.

Recently, local industry has been demanding increased government support and protection. In response, the government published a directive in August 1999 entitling local suppliers

to a 12.5 percent price break on government contracts. Similarly, contractors on government projects must use at least 40 percent local materials, where available.

At its peak, the Government of Ghana controlled more than 300 state-owned enterprises; by the end of 1999, more than 202 of these had been privatized (note: just one enterprise was privatized during 1999). Among those that remain are the Cocoa Purchasing Board and Ghana Telecom. The privatization of a government-owned enterprise is sometimes influenced by political considerations.

EXPORT SUBSIDIES

The government does not grant direct export subsidies, but it does commonly use concessionary credit and tax incentives to promote exports. The export processing zone (EPZ) law, enacted in 1995, offers a tax holiday on profits for the first 10 years of business operation in an EPZ. In subsequent years, the tax rate for EPZ-based companies is eight percent (the same as for non-EPZ exporting companies). This compares with 35 percent for non-exporting companies.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Ghana is a member of the Universal Copyright Convention, the World Intellectual Property Organization, and the English-speaking African Regional Industrial Property Organization. It is also signatory to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The Government of Ghana has made an effort to meet its January 1, 2000 deadline for the implementation of TRIPS. Changes to appropriate legislation have been identified and amendments drafted for Cabinet approval and onward submission to Parliament. The Government of Ghana has requested assistance from the WTO and other sources to implement and enforce TRIPS-consistent policies.

Holders of intellectual property rights may access local courts to redress grievances,

although few trademark, patent, and copyright infringement cases have been filed in recent years. Patent registration in Ghana does not present a serious problem for foreign rights holders. Registration fees vary according to the nature of the patent, but local and foreign applicants pay the same rate.

Infringement of intellectual property rights has not had a significant impact on U.S. exports to Ghana. Ghana is not a popular location for imitation designer apparel or watches. In cases where trademarks have been falsely used, the disparity in price and quality is usually readily apparent. Bootlegging computer software does take place, but there is no data available to accurately measure this practice. Pirating videotapes is a local practice that may affect U.S. exports, but the evidence suggests that this is not done on a large scale. There is no significant export market for books, cassettes, or videotapes pirated in Ghana.

SERVICES BARRIERS

The investment code excludes foreign investors from participating in the following subsectors: petty trading, taxi operation, car rental services for fleets of fewer than 10 vehicles, lotteries (excluding soccer pools), and the operation of beauty salons and barber shops.

In WTO negotiations on basic telecommunications services, Ghana made a commitment to liberalize its basic telecommunications services, subject to foreign firms entering into joint ventures with Ghanaian nationals. Ghana also adopted the telecommunications reference paper on regulatory principles. However, progress has been slow and a duopoly continues to exist for the provision of domestic and international services. The National Communications Authority was formed to regulate and liberalize the market, but it has yet to be staffed by qualified personnel. In the meantime, complaints of uncompetitive practices by the main national telecommunications operator continue to mount.

In the financial services negotiations, Ghana made a commitment to allow 60 percent foreign ownership in terms of commercial presence. Ghana requires a high paid-in capital requirement for foreign firms, but allows them to provide a full range of services.

Ghana has no barriers to electronic commerce.

INVESTMENT BARRIERS

The 1994 investment code guarantees the repatriation of capital, loan repayments, dividends, and licensing fees. It also provides guarantees against expropriation or forced sale and sets forth dispute arbitration procedures. Foreign investors are not subject to differential treatment with respect to taxes, foreign exchange, credit, or the importation of equipment and materials. The new investment code eliminates the need for investment project approval by the Ghana Investment Promotion Center (GIPC). Separate legislation covers investments in mining and petroleum and is applied equally to foreign and domestic investors. Registration, essentially for statistical purposes, is normally accomplished within five working days. Investment incentives are no longer subject to official discretion, since they have been incorporated into the corporate tax and customs codes. Incentives include zero-rating import tariffs for plant and equipment, and generous tax incentives.

Immigrant quotas for businesses, though relaxed, remain in effect. U.S. and other foreign firms in Ghana are required to adhere to Ghanaian labor laws, which contain restrictions on the number of expatriates employed. Wage rates in the metals and mining sectors are substantially higher than in other industries in the Ghanaian economy.

The high cost of local financing (with short-term interest rates currently between 30-40 percent) has been a significant disincentive for local traders and investors. Such high interest rates and a lack of liquidity in the financial system have constrained industrial growth and inhibited the expansion of most Ghanaian businesses from

their current micro-scale operations. While the legalization of foreign exchange bureaus has made foreign currency readily available, the persistent depreciation of the cedi, which was about 40 percent in 1999, has made imported raw materials and equipment that much more expensive. Domestic inflation declined slightly from 15 percent in 1998 to about 13 percent at the end of November 1999. The Bank of Ghana continues to pursue a tight monetary policy in an effort to contain inflationary pressures.

The residual effects of a highly regulated economy and lack of transparency in government operations create an element of risk for potential investors. In addition, bureaucratic inertia within government ministries is sometimes a problem and administrative approvals often take longer than they should. Entrenched local interests sometimes have the ability to derail or delay new entrants to the Ghanaian market, and securing government approvals may sometimes depend on an applicant's contacts. The Government of Ghana recognizes corruption as a serious problem and has undertaken measures to address it.